Administration Transition Paper:

Unlocking Development Finance Capital in the United States to Create Jobs & Increase Private Investment

Recommendations for the Next Administration to Address and Remove Barriers to Capital Access to Support and Maximize America's Investment in Infrastructure, Energy, Small Business, Urban Communities, Rural Development and Agriculture.

November 2016

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Foreword

Access to affordable, flexible, and efficient public and private capital remains the primary barrier to economic development in the United States. Over the past four decades, federal support for capital formation and capital access has shifted from a heavily subsidized system to one focused on leverage, credit enhancement, and the removal of financing barriers. Despite this migration to a risk-reduced approach, access to capital for numerous sectors – small business, entrepreneurs, manufacturing, clean energy, agriculture, rural infrastructure, urban revitalization – remains a significant challenge.

With the 2016 Presidential election finalized, the development finance industry is excited to move forward with recommendations and innovative strategies for unlocking access to capital. The ideas offered in this transition paper provide a roadmap for the next Administration to unlocking capital to support and maximize America's potential in numerous economic areas. These are the economic engines of our state and local governments with the potential to create high-paying jobs and increase private sector investment.

These recommendations are borne out of CDFA's 35 years as a leader in the development finance industry. They have been carefully crafted to address myriad challenges to capital formation, access and private leverage. Each of these recommendations provides a new look at how the federal government could and should approach capital formation and capital access. ***These recommendations focus on three key policy considerations.***

> ***First***, they focus on efficiency. Federal financing/funding programs must be efficient. The delivery system of federal-to-state, federal-to-local, and specifically federal/state/local-to-private sector must be efficient in order to be effective. Currently, the federal development finance delivery system is very bureaucratic and extremely cumbersome. Efficiency must be a focus of the next Administration when attempting to unlock capital for economic development and infrastructure. The private sector relies on accessing efficient capital. This must be a priority for the next Administration.
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> ***Second***, these recommendations all highlight private sector leverage strategies. It should be the policy and mission of the federal government to expect, encourage and demand private sector leveraged financings. The key to the country's economic resurgence will be the ability of state, local and the federal governments to leverage private sector capital. To do so, our cities and states must use small amounts of public capital to leverage large amounts of private investment. This model has been shown to work when implemented in an efficient and effective manner. Again, this must be the next Administration's priority.
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> ***Third***, these recommendations are focused on bipartisan approaches. Everything offered in this transition paper is uncontroversial and is supported by both political parties in Washington. CDFA believes it is important to support federal initiatives that reach the widest swath of Americans as possible. These recommendations all ensure a bipartisan opportunity to advance development finance. These recommendations unlock access to capital and provide private-sector investment based approaches to job creation and investment. Whether urban or rural, development or redevelopment, or industry or small business, these recommendations provide solutions that serve all Americans equally.

Finally, CDFA is prepared to assist the next Administration with developing the recommendations and opportunities outlined in this transition paper. Collectively, all of these recommendations could be tackled within the first two years of the new Administration. These recommendations provide for immediate advance of unlocking capital access throughout the United States to help create jobs, increase investment, build infrastructure, improve the environment, and increase the quality of life for every American.

Toby Rittner, DFCP
President & CEO

About CDFA

The Council of Development Finance Agencies (CDFA) is a national association dedicated to the advancement of development finance concerns and interests. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing public, private, and non-profit development finance agencies. Members are state, county and municipal development finance agencies that provide or otherwise support economic development financing programs. The Council was formed in 1982 with the mission to strengthen the efforts of state and local development finance agencies fostering job creation and economic growth. Today, CDFA has one of the strongest voices in the development finance industry. CDFA is a non-partisan, non-political institution that supports sound public policy and the leadership involved in making important decisions affecting the development finance industry. Learn more at www.cdfa.net.

What is a Development Finance Agency?

Development finance agencies (DFAs) can be either public or quasi-public/private authorities that provide or otherwise support economic development through various direct and indirect financing programs. DFAs may issue tax-exempt and taxable bonds, provide credit enhancement programs, and offer direct lending, equity investments, or a broad range of access to capital financing mechanisms. DFAs can be formed at the state, county, township, borough or municipal level and often times have the authority to provide development finance programs across multi-jurisdictional boundaries. Examples of development finance agencies include industrial development authorities, boards or corporations; economic development authorities; special purpose authorities (port, transportation, parking, development, energy, air, water, infrastructure, cultural, arts, tourism, special assessment, education, parks, healthcare, facility, etc.); and development and redevelopment authorities, commissions or districts. There are over 55,000 authorized development finance agencies in the United States.

About the Authors

Toby Rittner, DFCP – President & CEO

Mr. Rittner is a nationally recognized leader and expert in the field of economic development finance. As the President & CEO of CDFA, Rittner runs the day-to-day operations of the association and is regularly called upon to speak at conferences focused on economic development finance and advise state and federal government leaders, including past Administrations, on economic development finance policy. He is a Development Finance Certified Professional (DFCP) and is the author of the highly-acclaimed *Practitioner's Guide to Economic Development Finance.* Rittner is interviewed routinely by local and national media publications concerning the advancement of development finance tools. Rittner is an adjunct faculty member at The Ohio State University and Carnegie Mellon University. He is a member of the Advisory Board for the National Community Fund I, LLC and is also a member of the Advisory Board for Heritage Ohio; he previously served on the U.S. Environmental Protection Agency's Environmental Financial Advisory Board. Mr. Rittner holds a Bachelor of Arts in Political Science and a Master of City and Regional Planning degree from The Ohio State University. Mr. Rittner was awarded The Ohio State University College of Engineering Distinguished Alumni Award in 2016.

Tim Fisher – Legislative & Federal Affairs Coordinator

As the Legislative & Federal Affairs Coordinator, Mr. Fisher is focused on advancing development finance policy interests at the state and national level, as well as defending the interests of CDFA members on Capitol Hill. Fisher leads and advocates for members of the State Small Business Credit Initiative Coalition, as well the 24 cities that comprise the Investing in Manufacturing Communities Partnership. He also coordinates CDFA research on microfinance and impact investing. Prior to joining CDFA, Fisher worked for the Ohio Latino Affairs Commission, where, under the direction of the Commission's Public Policy officer, he authored reports on topics ranging from the state of Latino small business ownership in Ohio, to the cultural responsiveness of Ohio's public institutions. Tim is a graduate of Ohio University, where he earned a bachelor's degree in economics and his master's degree in Latin American Studies.

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Executive Summary

CDFA's Administration Transition Paper outlines numerous recommendations to some of the nation's most difficult development finance issues. CDFA hopes that the incoming Administration will use this paper as a roadmap to improvements in these areas. This summary outlines immediate action items and provides recommended time frames for each reform to unlock development finance in the United States today. Further guidance and recommendations can be found in the detailed sections of the Transition Paper.

Part 1: Manufacturing

Support American Manufacturing through Improved Tax Code & Specific Continued Programmatic Efforts

- **Reform Manufacturing Bonds** by passing the "***The Modernizing American Manufacturing Bonds Act"*** which allows for increased investment in American Manufacturing and greater opportunities for public-private partnerships to create jobs and prosperity now. ➔ **First 100 Days**

- **Permanently Reauthorize the Investing in Manufacturing Communities Partnership (IMCP) Program** and fund the program at $10 million annually to facilitate ongoing manufacturing growth and collaboration. ➔ **First 100 Days**

Part 2: Small Business

Catalyze Small Business and Entrepreneurial Expansion through Critical Program Reauthorization & Appropriation

- **Permanently Authorize the SSBCI Program** and office to ensure that a critical economic development need is fulfilled, and to strengthen America's continuing economic recovery. This program needs permanent and immediate authorization to continue without interruption. ➔ **First 100 Days**

- **Fund SSBCI Annually** at a minimum appropriation of $400 million to continue program success and efficient operation. ➔ **First 100 Days**

Part 3: Infrastructure

Reform and Bolster Federal Financing Mechanisms that Focus on Leveraging Private Investment in Critical Infrastructure

- **Establish an Independent Infrastructure Task Force** to establish a comprehensive infrastructure roadmap and policy for the next half century driven by a market based approach to encouraging greater private-sector investment in infrastructure. ➔ **First Year**

- **Establish 6-7 Public-Private Partnership Regional Infrastructure Accelerators** that would authorize and encourage collaborators (primarily states) to work hand-in-hand on infrastructures needs that span multiple geographic areas and allow for long-range planning and investment. ➔ **First Two Years**

- **Increase Transportation Infrastructure Financing and Innovation Act (TIFIA) Funding** at a minimum of $5 billion annually to leverage an additional $50 billion in private sector investment. The $5 billion minimum should be set in federal law and during the appropriation process to provide stability in the funding cycle. With dedicated resources, state and local governments can begin to plan for considerable and cost efficient infrastructure investment. ➔ **First Year**

- **Remove Water and Sewer Bonds from Volume Cap** to allow states and municipalities to finance more infrastructure projects through bond issuance than are currently possible, and to allow the private sector to enter into public-private partnerships for a new era of critical water and sewer infrastructure investment. ➔ **First Year**

- **Rollout and Fund the Water Infrastructure Finance and Innovation Act (WIFIA**) at an escalating pace over the next four years at $1 billion in years one and two followed by an annual appropriation of $5 billion to support water infrastructure. ➔ **First Year**

- **Launch a Federal Urban Tax Increment Finance Program** to allow the federal government to redirect very specific federal income tax revenue to catalytic and transformative urban revitalization efforts. ➔ **First Two Years**

Part 4: Clean Energy

Reduce Barriers to Clean Energy through Credit Enhancement Models that Encourage Private Sector Led Investment while Reducing Public Risk

- **Create the State Clean Energy Finance Initiative (SCEFI) Pilot Program** authorized for five years with a one-time $5 billion appropriation to leverage $50 billion in additional private investment. The program requires little, if any, federal administrative burden. ➔ **First Year**

Part 5: Federal Programs

Implement Measured Comprehensive Reforms and Improvements to the Federal Development Finance Delivery System

- **U.S. Department of Housing & Urban Development** – Convene a working group to advise and implement efficient and effective reforms to the HUD Community Development Block Grant (CDBG) Program. ➔**First Two Years**

- **U.S. Department of Agriculture** –Work to comprehensively remove bureaucratic and programmatic barriers within USDA Rural Development with a full-scale analysis of program delivery structures, funding process, and application requirements. ➔ **First Two Years**

- **U.S. Department of the Treasury, Community Development Financial Institutions Fund –** Permanently authorize the New Markets Tax Credit Program (NMTC) with a minimum annual appropriation of $2 billion. ➔ **First Two Years**

- **U.S. Customs and Immigration Services EB-5 Program** – Permanently authorize the EB-5 Program to continue the program's success as a catalyst for direct foreign investment in U.S. job generating projects. ➔ **First Two Years**

- **U.S. Department of Energy** – Accelerate the success of the DOE Loan Guarantee Program by reducing bureaucratic barriers and unreasonable credit requirements. ➔ **First Two Years**

- **Small Business Lending Fragmentation** – Take a comprehensive look at the fragmented federal small business access to capital programming and improve upon this delivery system to drive job creation, small business development and improve federal efficiency. ➔ **First Two Years**

- **U.S. Economic Development Administration** – Appoint a strong leader to head the U.S. EDA that can drive new direction and expanded services with an annual appropriation of no less than $600 million. ➔ **First Two Years**

Part 6: Tax-Exempt Bonds

Preserve and Strengthen the Federal Tax Code as It Relates to Tax-Exempt Bonds Including Both Governmental and Private Activity Bonds

- **Preserve & Protect Tax-Exempt Bonds** – The next Administration must commit to preserving and protecting tax-exempt bonds under any and all circumstances. The restriction, capping and/or elimination of the tax-exemption for municipal and private activity should be outright and unquestionably dismissed. The next Administration should be a strong and vocal voice in this preservation and protection effort. ➔ **First Year**

- **Improve Tax-Exempt Bonds –** In the process of comprehensive tax reform, the next Administration should take any and all measures to ensure that the tax exemption for municipal and private activity bonds be preserved and strengthened. Any talk of reform should be based on common sense, efficiencies, and effective public policy that remains fair to state and local governments. ➔ **First Year**

Part 7: Rural Development & Agriculture

Reimagine the Federal Approach to Supporting Rural Development and Agriculture to Address and Eliminate Critical Market Barriers

- **Reform the USDA Community Facilities (CF) Program** to unlock capital to rural communities immediately. ➔ **First Year**

- **Update the Agricultural Bond Tax Code** to provide first time famers access to affordable startup capital. ➔ **First Year**

- **Catalyze the Food System Asset Class** to provide institutional and every-day investors the opportunity to invest in food as a market rate return option. ➔ **First Two Years**

Part 1: Manufacturing

Support American Manufacturing through Improved Tax Code & Specific Continued Programmatic Efforts

Manufacturing Access to Capital Landscape

Strengthening the American manufacturing sector is one policy proposal that has always received strong bipartisan support, and for good reason. Nine percent of America's workforce is employed in manufacturing, equaling roughly 12 million Americans.[1] Of equal importance is the tremendous multiplier effect manufacturing has on the rest of the economy; for every $1 spent on manufacturing, another $1.81 is added to the economy.[2] However, perhaps nothing is more pressing than the plight of American manufacturers over the past decade. Since 2004, nearly 6 million manufacturing jobs have disappeared due to overseas competition, industry contraction, poor public policy, lack of capital, and the general downturn in the nation's economy. Put simply, the manufacturing sector is a cornerstone of the American economy but has received little attention to the real issues facing this economic engine.

For an industry that has such an outsized role as a growth engine for the American economy, the tools available to support manufacturers are limited and, in many cases, outdated. While previous Administrations have supported the growth of manufacturing, few substantive programs and solutions have been proffered. The core focus of previous policies has been misguided by failing to address the true issues facing American manufacturing – ***notably access to affordable capital and manufacturing collaboration.***

Access to Affordable Capital

Access to low-cost, affordable, flexible, and efficient capital is one of the most challenging issues facing small to mid-sized manufacturers, yet few federal tools exist to support this group. In addition, the tools that do exist are outdated and antiquated. Qualified Small Issue Manufacturing Bonds, a type of tax-exempt bond that allows the public sector to pass considerable interest rate reductions on to manufacturers, were last updated in the mid-1980s as part of tax reform. Since that time, the manufacturing sector in the United States has changed and evolved rapidly. Manufacturing, a historically low-tech endeavor, has revolutionized over the past two decades, and today's manufacturing is focused on high-tech efficiency, innovative production models, and cutting-edge science. Manufacturing in the United States has also become highly competitive, both within and outside the country. Within the United States, state and local communities compete daily in company attraction and recruitment using a variety of economic incentives. Outside the U.S., national interests work tirelessly to attract U.S. manufacturers by lowering the cost of business for overseas operations. The result has been two decades of economic decline in the manufacturing sector as thousands of companies have either been driven out of business, or relocated overseas due to their inability to access affordable capital.

For large credit-worthy manufacturers, low cost financing is easily attainable. Commercial banks and capital market participants are eager to support these companies. Unfortunately, small to mid-sized manufacturers struggle to attract attention from private investors, compounding the challenges created by the failures to modernize Qualified Small Issue Manufacturing Bonds and the overall decline in the manufacturing bond market. In the last ten years alone, manufacturing bond issuance has fallen from $3.1 billion in 2007 to just $244 million in 2015.

One highly effective federal program has also helped to offset the decline in manufacturing, most notably the Investing in Manufacturing Communities Partnership. Implemented in 2013 to encourage and reward communities

[1] "Top 20 Facts About Manufacturing." National Association of Manufacturers. Accessed November 21, 2016. http://www.nam.org/Newsroom/Top-20-Facts-About-Manufacturing/.

[2] Ibid.

for developing comprehensive regional economic development strategies, IMCP has invested over $1 billion in 24 communities and their regional manufacturing supply chains. IMCP has also buttressed the economic recovery of those 24 communities and served as a source of low-cost capital for small to mid-sized manufacturers. The program has been a shining success and should continue under the next Administration.

Recommendations

As the economy has stabilized, economists and business leaders alike argue that the country is in a prime position for a manufacturing renaissance. Improved tax policy, relaxed regulations and ongoing federal resource coordination for manufacturers could enable the sector to rebound considerably over the next decade. To support this resurgence, CDFA offers two key recommendations.

- **Reform Manufacturing Bonds** – CDFA proposes a set of efficient and effective reforms to the laws governing Qualified Small Issue Manufacturing Bonds. These four simple fixes would expand access to capital for manufacturers throughout the country and support America's most productive industry. The four reforms in ***"The Modernizing American Manufacturing Bonds Act"*** would revolutionize one of the most beneficial tools provided by the federal government.

  Qualified Small Issue Manufacturing Bonds are limited by the national volume cap established by Congress; these reforms would therefore come at a nearly negligible cost to the federal treasury. In fact, the positive impact of these common sense and timely reforms on the manufacturing sector would outweigh any negative impact on the federal treasury.

  In 2016, the ***"The Modernizing American Manufacturing Bonds Act"*** was introduced in both the United States House of Representatives and the United States Senate as a bipartisan measure. Supported by both Republicans and Democrats alike, these reforms would unlock capital for small to mid-sized manufacturers overnight. At virtually no cost to the Treasury, these reforms would allow for increased investment in American Manufacturing and would create greater opportunities for public-private partnerships that create jobs and prosperity now.

  This piece of legislation can and should be introduced and passed within the first 100 days of the next Administration.

- **Permanently Reauthorize the Investing in Manufacturing Communities Partnership (IMCP) Program** – The IMCP Program has been an overwhelming success and should be made a permanent federal offering. From an efficiency standpoint, the program has aligned ten federal agencies within one focused program to assist regions with manufacturing initiatives. The IMCP Program is not funded beyond 2016 and is set to expire in 2017 thus eliminating the progress made to date. CDFA highly recommends that the next Administration permanently authorize the IMCP Program and provide an annual appropriation of just $10 million to facilitate programming.

  This piece of legislation can and should be introduced and passed within the first 100 days of the next Administration.

Part 2: Small Business

Catalyze Small Business and Entrepreneurial Expansion through Critical Program Reauthorization & Appropriation

Small Business Access to Capital Landscape

Although large companies and multi-national corporations seem to dominate our national consciousness with news stories on major investments and the many high-profile commercial advertisements they generate, small business remains the backbone of the U.S. economy. According to the 2014 Annual Survey of Entrepreneurs, nearly 61 percent of all firms with paid employees have a staff of just 4 people or less. In fact, since 1970, 55 percent of all existing American jobs have been supported by small businesses, and 61 percent of all net new jobs have been created in the small business sector.[3] Further, 54 percent of all sales in the U.S. have been made by the 28 million small businesses located throughout the country.[4] It is no exaggeration to say that small businesses in the United States carry a disproportionately large burden to employ the 149.5 million people in the labor force compared to large enterprises.

Unfortunately, despite the outsized role the small business sector plays in driving economic growth, effective and efficient financial tools that would support and encourage small business development have been slow to develop. The tools that are available are fractured throughout the federal level historically. Access to capital issues plague small businesses and would-be entrepreneurs alike, affecting mostly individuals with minimal household wealth and limited credit histories. Women-owned and minority-owned businesses have been hit the hardest by access to capital issues, and are as a result more likely to take on increased personal risk to finance their business with their own assets.[5]

As a result, business startup rates, both before and after the recession, have been highest among the wealthiest households, exacerbating issues relating to wealth inequality and sending negative ripple effects throughout the economy. Major strides must be taken to revitalize the small business and entrepreneurial landscape to ensure the long-term health of the American economy.

Progress Under the State Small Business Credit Initiative (SSBCI)

While the Small Business Administration (SBA) and other federal agencies make low-interest loan programs available to entrepreneurs and small businesses, none have been as effective or as flexible as the State Small Business Credit Initiative (SSBCI). Since its creation in 2010, SSBCI has proven how federal financing programs can target and support small business development efficiently. SSBCI allows states the flexibility to design their own small business support programs to accommodate the variation in regional economic conditions.[6] Because of the flexibility and adaptability of SSBCI funds, states have been able to deploy over $1.4 billion to support small businesses, comprising 96 percent of the original total.[7] And, since the SSBCI program requires private sector leverage ratios, those $1.4 billion have in turn leveraged well over $8 billion in private small business loans and investments.[8] No other federal-to-state access to capital program comes close to matching these leverage ratio successes.

The SSBCI program's ability to leverage private capital makes it an ideal federal program, as it is both incredibly cost effective and highly impactful. A recent Treasury report on the effectiveness of SSBCI shows that program

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[3] "Small Business Trends." Small Business Trends | The U.S. Small Business Administration | SBA.gov. Accessed November 10, 2016. https://www.sba.gov/managing-business/running-business/energy-efficiency/sustainable-business-practices/small-business-trends.
[4] Ibid.
[5] Bahn, Kate, Regina Willensky, and Annie McGrew. *A Progressive Agenda for Inclusive and Diverse Entrepreneurship*, 2016. October 2016.
[6] United States. Department of the Treasury. State Small Business Credit Initiative. *A Summary of States' Quarterly Reports*.
[7] Ibid.
[8] Ibid.

financing has reached small businesses in industries ranging from retail trade to manufacturing, hospitality, and a variety of other areas. Unlike other programs which have oversold and underperformed in their abilities to aid small business development, SSBCI has delivered on its promises. For instance, 80 percent of all SSBCI loans and investments went to business with 10 or fewer employees, and 42 percent went to businesses in low and moderate income communities.[9] More than 16,900 small businesses in the U.S. have received financial support from SSBCI, resulting in the creation or retention of 190,000 American jobs.[10] The SSBCI program is a model for federal efficiency and program delivery.

Recommendations
In its seven years of existence, SSBCI has enabled state programs across the U.S. to support and grow small businesses that would have otherwise failed due to their inability to access traditional forms of finance. Nevertheless, and despite its effectiveness, the SSBCI program will sunset in 2017 if supporting legislation to reauthorize and reappropriate the program fails to pass Congress. CDFA specifically recommends:

- **Permanently Authorize the SSBCI Program** – The SSBCI program and office fills a critical economic development need and will strengthen America's continuing economic recovery. However, the program and office is not authorized beyond 2017. This program needs permanent and immediate authorization to continue without interruption. Failure to do so will result in the program being shut down and years of work and success abandoned.

- **Fund SSBCI Annually** – With the program and office permanently authorized, the Administration should fund the SSBCI Program at a minimum of $400 million annually. Funds should be allocated to states on a competitive system to encourage performance based funding. Funds should be appropriated every year to continue program success and efficient operation.

  Both pieces of legislation can and should be introduced and passed within the first 100 days of the next Administration.

[9] United States. Department of the Treasury. State Small Business Credit Initiative. *Program Evaluation of The US Department of Treasury State Small Business Credit Initiative*. By Jessica Milano and Jeff Stout.
[10] Ibid.

Part 3: Infrastructure

Reform and Bolster Federal Financing Mechanisms that Focus on Leveraging Private Investment in Critical Infrastructure

Infrastructure Landscape

In their 2013 Report Card, the American Society for Civil Engineers (ASCE) gave the United States a D+ for the poor overall condition of its infrastructure[11]. The ASCE analysis of American infrastructure evaluated drinking and wastewater infrastructure, aviation networks, highways, bridges, ports, levees, and railways. Of these, drinking and wastewater infrastructure stand out as being in particularly poor shape, with individual grades dipping below the overall D+ average to Ds in the case of drinking water and wastewater, and D- for levees and inland waterways.

The EPA has estimated that nearly $335 billion is needed to upgrade drinking water infrastructure, and $298 billion for wastewater infrastructure.[12] Failure to address the critical state of American water infrastructure may lead to future calamities occurring elsewhere around the country.

The state of America's transportation infrastructure fairs only slightly better than water infrastructure in the ASCE report. U.S. bridges and rail receive C+ grades, while ports earn a C overall. However, roads, transit, and aviation each dip below the D+ average, earning D ratings. In a 2014 White House report, the National Economic Council and the President's Council of Economic Advisors argue that the deterioration of the U.S. transportation network has had a direct impact on domestic economic growth and efficiency.[13]

According to the report American businesses pay $27 billion in extra freight transportation costs each year as a result of poor infrastructure, leading to increased shipping delays and higher prices on goods across the board.[14] The increased costs facing American businesses inhibit their ability to compete globally and lowers the demand for labor, reducing job growth. For the U.S. to maintain its position as a global leader, the nation must find solutions to improve our failing infrastructure systems.

The proposal to create a national infrastructure bank as a means to finance costly surface and water infrastructure projects has been discussed extensively among policy groups for nearly a decade. Yet the poor state of American infrastructure was not caused by an inability to fund costly projects, as many would argue. The Department of Transportation and numerous other federal agencies already provide affordable capital in the form of grants and low interest loans for infrastructure development. The creation of a national infrastructure bank would undoubtedly lead to more bureaucracy and red tape than necessary.

Rather the problem is a cumbersome capital deployment process that regularly leaves state and local Development Finance Agencies (DFAs) unable or unwilling to access federal dollars. Providing additional, low-cost capital to DFAs without addressing the underlying structural challenges that make accessing and using federal money difficult, solves only part of the problem. Policymakers must work to improve the flexibility and usability of existing loan programs, while also reforming current rules that limit regional collaboration, prohibit private sector participation, and discourage public-private partnerships.

Recommendations

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[11] "2013 Report Card for America's Infrastructure." 2013 Report Card for Americas Infrastructure. Accessed October 26, 2016. http://www.infrastructurereportcard.org/.

[12] *Water Infrastructure: Approaches and Issues for Financing Drinking Water and Wastewater Infrastructure*, 113th Cong., 3 (2013) (testimony of J. Alfredo Gómez).

[13] United States. The White House. President's Council of Economic Advisors. *An Economic Analysis of Transportation Infrastructure Investment*. 2014.

[14] Ibid.

Nearly three-fourths of all U.S. infrastructure projects are funded at the state and local level by Development Finance Agencies.[15] Yet while DFAs, with their ability to issue tax-exempt bonds, are remarkably effective at generating the resources to fund a project, they lack the technical know-how and expertise to design, build, and maintain infrastructure. Public-private partnerships (P3s) enable DFAs to transfer the risk associated with project development and maintenance to their private partners, sparing public agencies from expensive cost overruns associated with the development and maintenance phases of a project.[16]

The next Administration has a major opportunity to encourage, facilitate, and accelerate private investment in a wide array of critical infrastructure. This investment in infrastructure will generate jobs and be the catalyst for improving the U.S. economy through private sector investment.

As it currently stands, the federal government offers dozens of low-interest loans, grants, and financing vehicles to DFAs and other agencies for various types of infrastructure projects. Unfortunately, many of these programs and financing tools are underutilized because of structural or operational issues, poor marketing and significant bureaucratic barriers. The federal government also lacks direction and focus within the infrastructure industry. This disparate approach has caused market retardation, industry stagnation and a general frustration with the unsuitability of federal financing mechanisms.

CDFA recommends that the next Administration focus on improving the delivery method of existing federal infrastructure finance programs and expedite the rollout of authorized programs that will encourage public-private partnerships and investment. In addition, the Congressional approval of several small legal and tax code reforms would unlock significant capital for infrastructure projects and redevelopment. Specific recommendations include:

- **Establish an Independent Infrastructure Task Force** – The federal delivery system for infrastructure finance is highly fractured and overly bureaucratic. Numerous entities have weighed in on the need for more transparency and greater efficiency in the delivery of financing to critical infrastructure. Unfortunately, past approaches to infrastructure solutions have placed far too much emphasis on hypothetical models and non-market based solutions that are not effective. CDFA recommends that the next Administration establish an independent Infrastructure Task Force to establish a comprehensive infrastructure roadmap and policy for the next half century. The Infrastructure Task Force should be comprised of a diverse cross-section of public and private leadership but must be driven by a market based approach to encouraging greater private-sector investment in infrastructure.

  This measure can and should be implemented in the first year of the next Administration.

- **Establish 6-7 Public-Private Partnership Regional Infrastructure Accelerators** – With the tools above firmly in place, the next Administration should push for the establishment of 6-7 Public-Private Partnership Regional Infrastructure Accelerators. The purpose of these accelerators would be three-fold. First, these Regional Infrastructure Accelerators would authorize and encourage collaborators (primarily states) to work hand-in-hand on infrastructures needs that span multiple geographic areas. The infrastructure needs include large scale utility upgrades, rail and intermodal facilities, hospital networks, broadband, water systems, etc. which serve multiple states and territories. Additional infrastructure needs could include the development of future highway and logistical considerations for driving economic growth and sustainability.

  Second, Regional Infrastructure Accelerators would allow for long-range planning and investment that is driven by market and regional needs rather than single state challenges. Long-range planning is a more

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[15] The Beeck Center at Georgetown University. "Performance-Based Infrastructure: An Acceleration Agenda for the United States." News release, May 20, 2016. http://beeckcenter.georgetown.edu/wp-content/uploads/2016/04/Fact-Sheet_Performance-Based-Infrastructure_BeeckCenter.pdf.

[16] West Coast Infrastructure Exchange. "Public-Private Partnerships and Performance-Based Infrastructure." News release. http://westcoastx.com/assets/documents/WCX-FAQ.pdf.

measured and sustainable approach to improving the use of infrastructure to drive a 21st century economy. And third, regional accelerators would allow for stronger financial stability, a lower cost of capital and will reduce the risk challenges facing public-private partnerships. These accelerators would allow states to use their considerable public finance powers and strong balance sheets, alongside innovative federal public-private partnership mechanisms, to advance cost effective and extremely efficient infrastructure improvements.

This measure can and should be introduced and implemented in the first two years of the next Administration.

- **Increase Transportation Infrastructure Financing and Innovation Act (TIFIA) Funding** – The Transportation Infrastructure Financing and Innovation Act (TIFIA) program provides loans, loan guarantees, and standby lines of credit to highway, bridge, transit, and intermodal freight projects that have a dedicated source of revenue pledged toward repayment. TIFIA loans are an attractive financing option because the government offers a lower interest rate than is typically available to project sponsors through traditional bond markets and because the repayment terms are flexible, including the ability to defer repayment so a project can get underway and/or begin generating user fees or other revenues before repayment begins.[17]

  TIFIA is one of the most creative and efficient federal financing programs for infrastructure and is currently funded at just $1 billion annually. The TIFIA program authorization is a form of credit subsidy and is a direct public-private partnership model aimed at catalyzing private investment. Relative to other federal infrastructure financing resources, TIFIA is considerably more effective on the private sector leverage spectrum. One TIFIA program dollar can leverage approximately ten dollars in direct private loans. In 2013-2014 the TIFIA program was able to support more than $17 billion in direct loans to eligible surface transportation projects with just a $1 billion appropriation.

  CDFA recommends that the next Administration increase and accelerate funding for the highly successful TIFIA program over the course of the next four years. Funding should be set at a minimum of $5 billion annually to potentially leverage an additional $50 billion in private sector investment. The $5 billion minimum should be set in federal law and during the appropriation process to provide stability in the funding cycle. With dedicated resources, state and local government can begin to plan for considerable and cost efficient infrastructure investment.

  This measure should be an immediate priority that can and should be implemented in the first year of the next Administration.

- **Remove Water and Sewer Bonds from Volume Cap** – Exempting water and sewer private activity bonds from state volume cap requirements would allow states and municipalities to finance more infrastructure projects through bond issuance than are currently possible. In 2015, $12.25 billion of the $13 billion in national volume cap available went toward financing projects *other* than water and sewage infrastructure.[18] The demand for bond financing creates a bottleneck with other political priorities using most of the cap. Water projects simply cannot access this resource on a level playing field. Freeing water and sewage infrastructure from volume cap constraints would drastically increase state and local capacity to finance essential water and sewage projects. Water and sewer bonds are some of the market's most secure and safe investments. These bonds have historically low default risks as they are tied to specific revenue streams for repayment. Freeing these bonds from state volume cap limitations would allow the private sector to enter into public-private partnerships for a new era of critical water and sewer infrastructure investment. Legislation to remove these bonds from volume cap restrictions has been introduce on a bipartisan basis in both the House and Senate in 2016.

[17] Transportation for America, http://t4america.org/maps-tools/map-21/tifia
[18] Mathews, Peter. *CDFA Annual Volume Cap Report*. Report. Council of Development Finance Agencies, 2016.

This piece of legislation can and should be introduced and passed within the first year of the next Administration.

- **Rollout and Fund the Water Infrastructure Finance and Innovation Act (WIFIA**) – The Water Infrastructure Finance and Innovation Act (WIFIA) program provides credit assistance in the form of loans for large water infrastructure projects and is modeled off of the highly successful TIFIA Program. The goal of the WIFIA program is to accelerate investment in water infrastructure by providing supplemental credit assistance to creditworthy projects of major importance. WIFIA works separately from, but in coordination with, the State Revolving Fund (SRF) programs to provide subsidized financing for large dollar-value projects. WIFIA was authorized in 2014 and was appropriated funding to establish the program and the WIFIA office at the U.S. EPA. However, the program was not funded for investments. This is a major oversight of the federal policy relating to this program. The U.S. EPA has established the program policies and procedures and is ready to implement the program. However, no funding exists.

  CDFA recommends that the next Administration make it an immediate priority to fund the WIFIA program at an escalating pace over the next four years. Initially, the program should be funded at $1 billion in years one and two followed by an annual appropriation of $5 billion to support water infrastructure.

  This measure can and should be implemented in the first year of the next Administration.

- **Launch a Federal Urban Tax Increment Finance Program** – The Administration should consider legislation that enables targeted urban tax increment financing (TIF) at the federal level. TIF is one of the most widely used development finance tools at the state and local level and is a performance based public-private leverage financing tool. However, no federal "TIF-like" mechanism exists to support catalytic redevelopment. Under TIF, local governments can redirect specific, future estimated tax revenue to pay the present cost of development. These funds can only be used for public infrastructure like roads, bridges, sewers, utilities, etc. A federal urban TIF mechanism would allow the government to redirect very specific federal income tax revenue to catalytic and transformative urban revitalization efforts. These taxes would only be redirected for the period of time needed to pay off the debt service on the investment. Once the debt is paid off, the taxes would once again flow to the federal government. With serious federal resources in the deal, this program would help to lower the cost of capital for some of the nation's most difficult revitalization and redevelopment projects. Strict oversight of the program and projects would be required at the federal level and should be administered by the U.S. Economic Development Administration. This program does not "cost" the federal government anything. Only future earned income taxes would be eligible for debt service redirection. These are taxes that would otherwise not exist if not for the project. Tax increment finance is used in 48 states and the District of Columbia and is a highly effective and efficient performance based financing tool.

  This is a long-term component of supporting urban revitalization that can and should be constructed and implemented within the first two years of the next Administration.

Part 4: Clean Energy

Reduce Barriers to Clean Energy through Credit Enhancement Models that Encourage Private Sector Led Investment while Reducing Public Risk

Energy Finance Landscape

For much of the past 15 years, the growth in the clean energy industry has relied on the provision of grants, incentives, rebates, policy initiatives, and technical support from state clean energy programs. The federal government has also invested heavily in the clean energy sector, with loans, grants, and other subsidies for energy development made available through 10 different federal agencies. Unfortunately, a large percentage of the federal programs created to spur the production of clean energy have been overly restrictive and risk averse, which has sapped their ability to leverage appreciable private capital.

While public funds have been essential in creating a market for clean energy production, the continued growth of this sector will be limited as long as it relies primarily on public subsidies. A more integrated approach is required; one that continues the important public role of providing incentives and technical support for the adoption of clean energy technologies, while at the same time providing public financial support in the form of credit enhancement to leverage private capital. Public subsidy needs to advance in its approach and performance, becoming better at "rightsizing" its subsidy based upon better information, disclosure and understanding of evolving clean energy project economics.

Replicable Innovation in Finance

At the state and local level, policymakers have taken the lead in the effort to create a smarter energy finance model. States want to ensure that their incentive dollars are structured efficiently to leverage the greatest amount of private investment. The State Small Business Credit Initiative (See Part 2), a program operated out of the U.S. Treasury, provides us a model with which to build a new public-private partnership energy finance platform.

Under this innovative delivery mechanism, the SSBCI directs federal funds to states which then apply those funds through programs of the states' choosing using a market based approach. The ultimate aim of the SSBCI is to facilitate small business lending by making private financial institutions comfortable making loans to almost credit-worthy small businesses. The SSBCI program leverages $10 of private investment for every $1 of public investment. No other federal program delivers a public-private investment ratio at or near this level. More importantly, the SSBCI model is highly replicable, scalable and transferable to other industries and targeted investment sectors.

Recommendation

The SSBCI model can be replicated to support the energy sector to address the capital access challenges confronting myriad energy financing opportunities. Establishing a financing-based model to bolster this sector would encourage the development of clean, alternative and diverse energy options at a time when direct appropriations are simply not available. Also, an SSBCI-like model could support companies throughout the clean energy supply chain by greatly reducing the cost of working capital.

A "State Clean Energy Finance Initiative" (SCEFI) would be an efficient means of attracting significant private investment to clean energy. While the Initiative would be housed in the U.S. Treasury, like SSBCI, the underwriting and credit enhancement roles would be placed at the state and local levels. The allowable programming would be diverse but regulated to credit support and enhancement models.

The designated types of credit support programs—loan loss and debt service reserves, letters of credit, loan guarantees, collateral support, and subordinated debt—are important and familiar roles for Development Finance Agencies to play and do not result in heavy administrative or loan servicing burdens. By mitigating risk for investors, credit enhancement would raise more capital more efficiently at a lower cost to hundreds of energy projects. CDFA specifically recommends the following:

- **Create the State Clean Energy Finance Initiative (SCEFI) Pilot Program** – The next Administration should craft legislation to create the State Clean Energy Finance Initiative (SCEFI) Pilot Program. This program should be authorized for five years with a one-time $5 billion appropriation. During this timeframe, the pilot program will leverage an additional $50 billion of private investment nationally while simultaneously requiring little if any additional federal administrative burden. The expertise of SSBCI administrators, in coordination with energy experts, will be essential to getting SCEFI off the ground. SCEFI should be housed within the U.S. Department of the Treasury as it is fundamentally a development finance credit tool, not an energy programs mechanism. Treasury has shown great leadership in managing the SSBCI program with little to no interference on state program prerogatives. The decision to house the SSBCI Program at Treasury is one of the keys to the program's success. The SCEFI Pilot Program legislation has already been drafted by CDFA and awaits the next Administration's examination.

  This measure can and should be implemented in the first year of the next Administration.

Part 5: Federal Programs

Implement Measured Comprehensive Reforms and Improvements to the Federal Development Finance Delivery System

Federal Development Finance Landscape

The federal government has over 170 authorized programs that address myriad development finance issues. Many of these programs are unfunded but still exist within federal agencies. Programs are spread throughout 17 different federal agencies. From the traditional program offerings of the U.S. Department of Housing & Urban Development and U.S. Department of Agriculture to the lesser known programming at the Economic Development Administration and Department of the Treasury, this programming is vast, diverse and comprehensive.

Unfortunately, the programming provided by these agencies is increasingly burdened by bureaucracy, regulations and over-reaching programmatic requirements. These challenges have been chronicled by numerous public-policy efficiency experts over the years and as the resources provided by the federal government to support development finance have diminished, the struggles to access these federal resources have increased exponentially.

Access to federal capital in the forms of grants, loans, tax credits and other subsidies is critical and extremely beneficial to state and local government. Access to capital is paramount to leveraging private capital as shown by dozens of creative federal programs aimed at encouraging private sector investment. Nonetheless, both the public and private sector have shied away from engaging federal resources due to the ongoing burdens associated with the federal bureaucracy.

Recommendations

Countless stakeholders agree that the federal delivery system for development finance needs to be reformed. We do not mean to imply that the federal programs in need of reform are valueless. Rather, it is because of the programs' value that they must be reformed and not scrapped.

Plans by previous Administrations to reform the federal financing programs have been either too disruptive and over-ambitious or limited and ineffective. The next Administration has an opportunity to conduct a thorough analysis to implement a measured and comprehensive set of reforms to improve the federal development finance delivery system. CDFA recommends that the next Administration appoint a special Economic Development Czar to convene a council of experts to analyze the federal development finance delivery system. This council should produce a measured and comprehensive roadmap and approach to improve the entire delivery system. CDFA is prepared to provide comprehensive insight into these potential reforms to help guide the next Administration's approach.

CDFA recommendations include:

- **U.S. Department of Housing & Urban Development** – The HUD Community Development Block Grant (CDBG) Program is in dire need of comprehensive reform and streamlining. What began as a brilliant federal-to-state and federal-to-local resource delivery system has become a challenge for many communities to navigate. The programming process and regulations are arcane and outdated. The amount of administrative burden placed on states and local officials is troublesome, and the limitations placed on program funding uses no longer aligns with the realities of state and local economic needs. In addition, the formula used to determine grant allocation has serious flaws and needs to be re-examined. This is not to say or imply that the CDBG Program is not vital and critical to states and cities. The CDBG

Program is a cornerstone of the development finance industry. Nonetheless the program is outdated and needs a fresh approach. The next Administration should take a hard look at program reforms and convene a working group to advise federal leaders on efficient and effective ways to improve the program.

- **U.S. Department of Agriculture** – The USDA is appropriated billions of dollars in federal financing resources annually to rural communities. Unfortunately, much of the USDA funding never makes it to local projects due to significant bureaucratic and programmatic barriers. Well designed and well-intentioned programs provide ample resources, but given the considerable constraints of rural communities the required paperwork, analysis, and management capacity required to access this funding is too overwhelming. The disconnect between the needs in rural communities and the ample federal resources available illuminate the ongoing struggles to access capital for rural projects. The next Administration must work to comprehensively remove bureaucratic and programmatic barriers within the USDA system. This will require a full-scale analysis of program delivery structures, funding process and application requirements. Without these changes, the USDA will continue to struggle to deploy substantial resources in rural America.

- **U.S. Department of the Treasury, Community Development Financial Institutions Fund** – The CDFI Fund administers the highly popular and extremely effective New Markets Tax Credit (NMTC) Program. The NMTC program has been a model for attracting and catalyzing investment in America's low-income census tracts. Unfortunately, the NMTC program has not had consistent program authorization. Typically, the program operates on two to three-year authorization and funding cycles. In some years, the program is retroactively authorized and appropriated to account for prior years that were not previously approved by Congress. Often, the program is authorized and appropriated at the very last minute causing ripples and consternation throughout the development finance industry. Nothing retards financing success more than funding uncertainty. Simply put, the private sector cannot plan for investment and expansion if they have no certainty that the NMTC program will be authorized and/or funded. The NMTC Program needs to be permanently authorized and funded at no less than $2 billion annually.

- **U.S. Customs and Immigration Services EB-5 Program** – The highly popular and extremely successful EB-5 Financing Program housed at USCIS has driven billions of private-sector led investment into American communities since the early 1990s. This program, which leverages direct foreign investment in return for accelerated citizenship opportunities, has not only proven to be very successful but also highly efficient. In recent years, the program has catalyzed thousands of development projects that otherwise would not have materialized and has created millions of permanent jobs. Unfortunately, the program remains temporarily authorized and requires regular reauthorization by Congress. This ongoing battle pits an important economic development tool against political barriers. Tools such as EB-5 need not be subject to speculative political pressures and should be a permanent part of the development finance toolbox. CDFA recommends that the next Administration seek immediate and permanent authorization of the EB-5 program.

- **U.S. Department of Energy Loan Guarantee Program** – The U.S. DOE Loan Guarantee Program has been portrayed as a controversial program but remains a highly successful federal model. Program misconceptions abound, but from a pure return on investment perspective, the program has been a major financial success for the federal government. Despite defaults in the portfolio, the program has managed to turn a profit, showing that while federal investment in critical energy infrastructure is risky, it can also be highly rewarding and successful. Nevertheless, the loan guarantee program is not without flaws, and there are still barriers to full optimization. The next Administration has an unprecedented opportunity to accelerate the success of the Loan Guarantee Program by reducing bureaucratic barriers and unreasonable credit requirements. The program has immense potential and a proven track record of financial success; it must be propelled into the next phase of efficiency. CDFA recommends that the next Administration make a bold statement by improving, streamlining and maximizing the potential of the U.S. DOE Loan Guarantee Program.

- **Small Business Lending Fragmentation** – The federal government has authorized over two dozen programs to assist with some form of small business development. These programs are spread throughout numerous federal agencies from the U.S. Small Business Administration and U.S. Department of Agriculture to the National Science Foundation and the Export-Import Bank of the U.S. Many of these programs provide innovative and highly important niche financing resources that unlock capital. However, they are underutilized and too fragmented for optimal effectiveness. CDFA recommends that the next Administration take a comprehensive look at the fragmented federal small business access to capital programming and improve upon this delivery system. Small businesses make up a large percentage of net new jobs in the United States yet finding the resources provided by the federal government is extremely cumbersome. Streamlining and improving this delivery system will drive job creation, small business development and improve federal efficiency.

- **U.S. Economic Development Administration** – The federal government has consistently underfunded and failed to recognize the importance of local economic development efforts. Thousands of local economic development agencies operate to drive business and industry development in their communities. In addition, thousands of Development Finance Agencies provide the financial backbone to support redevelopment, infrastructure, small business development and much more. Nevertheless, the economic development industry receives very little support at the federal level. The only freestanding support system is the highly popular U.S. Economic Development Administration (EDA). Housed within the Department of Commerce, the influential EDA is the lone industry representation within the federal government. Funded at less than $400 million annually, the agency provides very limited opportunities for investments, grants and matching loan funds. The agency has received virtually no federal support over the past two Administrations and is need of full reform and considerably increased funding. CDFA recommends that the next Administration appoint a strong leader to head the U.S. EDA that can drive new direction and expanded services. Finally, the agency should be funded at no less than $600 million annually.

These reforms can and should be introduced and implemented in the first two years of the next Administration.

Part 6: Tax-Exempt Bonds

Preserve and Strengthen the Federal Tax Code as it Relates to Tax-Exempt Bonds including both Governmental and Private Activity Bonds

Bond Finance Landscape

Tax-exempt bonds are a federally authorized development finance tool that helps stimulate public and private investment in job creation, business and industry expansion, economic and physical redevelopment, transportation and infrastructure, health care and higher education, and agricultural and renewable energy production. Three-quarters of the total United States investment in infrastructure is accomplished with tax-exempt bonds, which are issued by over 50,000 state and local governments and authorities representing a $3 trillion-dollar industry.

Throughout the country, state and local issuers support small to mid-sized manufacturers through the issuances of low cost Private Activity Bonds (PABs). PABs, and the larger category of tax-exempt bonds, are the bedrock tools of public finance. They have been used to help build roads, bridges, sewers, dams, city halls, prisons, schools, hospitals, libraries, low-income housing, and thousands of other public and private projects. Bond finance dates to the early 19th century, when the federal tax exemption was included in the country's first federal tax code. Since that time, nearly four million miles of roadways, 500,000 bridges, 1,000 mass transit systems, 16,000 airports, 25,000 miles of intercoastal waterways, 70,000 dams, 900,000 miles of pipe in water systems, and 15,000 waste water treatment plants have been financed through tax-exempt municipal bonds.[19]

To understand and employ bond finance most efficiently, the development finance industry has spent decades crafting bond financing structures that maximize opportunities for both public and private sector engagement. Today, the very efficient and effective $3 trillion tax-exempt bond market is led by issuers, developers, manufacturers, health care and higher education institutions, other non-profits, investors, finance professionals, bond counsels, and thousands of other dedicated professionals.

Through tax exemption, the federal government continues to provide critical support for the development and maintenance of essential facilities necessary to deliver critical services and to stimulate local economic development, which cannot be replicated by other means. No other country has established a more efficient, effective, secure, and reliable public financing system than the U.S. has through tax exempt issuance. Yet, over the past several years, the tax exemption has been scrutinized and threatened. Nothing that the federal government does could cause more damage than the restriction or elimination of tax-exempt bonds.

Recommendations

Tax-exempt bonds have served as the primary financing mechanism for public infrastructure and have been exempt from federal tax – just as federal debt is exempt from state and local tax – for more than a century. Attempts to curb or repeal the municipal exemption would dramatically increase the cost of infrastructure projects to the detriment of the public who will have to bear those increases, and undermine the efforts of America's state and local governments to move their communities forward. These public investments remove barriers to commerce and make our communities livable. CDFA specifically recommends:

- **Preserve & Protect Tax-Exempt Bonds** – That the next Administration must commit to preserving and protecting tax-exempt bonds under any and all circumstances. The restriction, capping and/or elimination of the tax-exemption for municipal and private activity should be outright and unquestionably dismissed.

[19] CDFA Built by Bonds, 2011, www.cdfa.net

The next Administration should be a strong and vocal voice in this preservation and protection effort.

- **Improve Tax-Exempt Bonds** – In the process of comprehensive tax reform, the next Administration should take any and all measures to ensure that the tax exemption for municipal and private activity bonds be preserved and strengthened. Any talk of reform should be based on common sense, efficiencies and effective public policy that remains fair to state and local governments. In addition, tax reform should respect and recognize the importance of private-sector led investment and the critical role that tax-exempt bonds play in generating private investment. Any talk of reform should include concepts and ideas that improve and expand tax-exempt bonds, and CDFA is prepared to provide leadership on this subject as needed and/or requested.

  These measures should be an immediate priority that can and should be implement in the first year of the next Administration.

Part 7: Rural Development & Agriculture

Reimagine the Federal Approach to Supporting Rural Development and Agriculture to Address and Eliminate Critical Market Barriers

Rural & Agriculture Financing Landscape

America's rural communities are facing an unprecedented need for investments in infrastructure, community facilities, small business development and agriculture advancement. Rural America is the lifeblood of this country with agriculture representing a major contributor to the national economy. With the infrastructure in rural communities continuing to deteriorate, and the need for reinventing opportunity in rural places higher than ever, now is the right time for the next Administration to act. CDFA recommends the following actions.

Recommendations

- **Reform the USDA Community Facilities (CF) Program** – The USDA Community Facilities (CF) Program is one of the most creative and efficient rural development finance programs available. The CF program provides low cost, flexible, long-term financing to rural communities for critical infrastructure (health care, education, energy), and is paired with capital options like tax-exempt bonds and traditional bank lending. Despite the program's clear benefits, the USDA has struggled to deploy nearly $2 billion in available financing. The over burdensome process and regulatory requirements delays project delivery. Often, the CF Program process can take over a year for approval and disbursement of funding. This delay is far too long for private sector participants and simply does not align with feasible traditional financing practices. The success of the CF program is vital to the improvement of rural infrastructure, and it desperately needs to be reformed. The next Administration should immediately convene a panel of program experts to recommend program reforms to unlock capital for rural communities.

  This measure should be an immediate priority that can and should be implemented in the first year of the next Administration.

- **Update the Agricultural Bond Tax Code** – Financing for first time farmers continues to be a major struggle in the United States. One valuable tool in the effort to support and catalyze first time farming is Agricultural Bonds (Aggie Bonds). Aggie Bonds are a tax-exempt bond tool that provides first time famers access to affordable start up capital. Unfortunately, the laws that govern Aggie Bond have not been substantially reformed in three decades leading to a diminished use of this important financing tool. Poorly written code, inconsistent language and no-inflationary adjusted caps have left the program inefficient and ineffective. CDFA recommends that the next Administration make it a priority to support first time farmers by reforming and updating the Aggie Bond tax code immediately. This change will unlock capital and create economic opportunity for our important agriculture sector.

  This measure can and should be implemented in the first year of the next Administration.

- **Catalyze the Food System Asset Class** – Food and agriculture are one of the most complex and important pieces of the state and local economic landscape. Unfortunately, the "food system" is not a well-defined asset class and lacks ongoing and consistent financial resources. While most policy makers and leaders recognize the importance of food in the economy, very few have established a system or mechanism for regularly financing this part of the economy. There simply exists no substantial accumulation of deals, data, returns, or leadership around making food and agriculture a sustainable financing asset class. Fortunately, current, well-established asset classes like energy, infrastructure, green bonds, and broadband experienced their own struggles in becoming defined, investable assets, suggesting that a roadmap exists for establishing food systems as their own asset class. CDFA recommends that the next Administration work to catalyze and drive the development of a new food system asset class to allow institutional and every-day investors the opportunity to invest in food as a market rate return option.

This measure can and should be introduced and implemented in the first two years of the next Administration.